The CREDIT WORLD

MAY, 1933
Vol. XXI No. 8

THE firm that does not believe in advertising its credit department under present conditions" says William Glass, "should remember that it was not raining when Noah built his Ark." Our new "Pay Promptly" Campaign "sells" the use of credit as well as the necessity of paying promptly to maintain good credit « « »

MAGAZINE · OF · RETAIL · CREDIT

"O.K."--- MR. BUCKERIDGE!

"These Stickers Are Often More Effective Than Letters and Much Less Expensive"

"One of our department store members has been using the National Collection stickers with very good results.

"They received a letter from one of their customers with reference to the sticker headed 'Your Remittance.' She wrote on the bill which she returned to the store: 'This is one of the nicest reminders I've ever noticed anywhere.'

"Many of our members have found that these stickers are often more effective than letters and much less expensive."
—*Bulletin of the Credit Bureau of Greater New York, Inc.*

Printed in Two Tones of Blue. Exact Size Shown Above.
$2.00 Per Thousand. Order From Your Credit Bureau.

NATIONAL RETAIL CREDIT ASSOCIATION

1218 Olive St. St. Louis, Mo.

The CREDIT WORLD

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

May, 1933 **Vol. XXI** **No. 8**

EDITORIAL AND EXECUTIVE OFFICES
1218 Olive Boulevard **St. Louis, Missouri**

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CHANGE OF ADDRESS: Please notify us promptly of any change of address so that you may not miss any issues. With your new address it is absolutely necessary that you also send us your old one. Entered as second-class matter at the Post Office at St. Louis, Mo., under the Act of March 3, 1879. Published Monthly. Subscription, $2.00.

This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association.

TREAT YOUR CREDIT AS A SACRED TRUST

In all other respects the Association cannot be responsible for the contents thereof or for the statements or opinions of writers.

Editorial Comment

D. J. WOODLOCK

Accounts Receivable Are Stable Assets

ADVANCE reports of the Department of Commerce Retail Credit Survey, covering the period from July to December, 1932, indicate sales in dollars and cents volume of all types of stores decreased 23.9 per cent from the same period in 1931. Some of this can be charged to the decrease in price of merchandise. There was a slight increase in the proportion of cash sales to charge and installment sales. The average time open accounts receivable were outstanding increased from 80 to 86 days, and installment accounts from 6 months 23 days to 7 months 21 days.

Open account bad debt losses, which for the full year 1931 were 0.9 per cent, increased to 1.5 per cent for 1932.

Installment account bad debt losses increased from 3.0 per cent for 1931 to 4.3 per cent in 1932.

These figures, which are absolutely dependable as they are compiled by the United States Department of Commerce with the cooperation of the National Retail Credit Association, bring home the fact that the shrinkage in retail accounts receivable was not anywhere near as great as many had anticipated and prove our oft-repeated assertion: *Consumer credit weathered the depression and was fundamentally sound because of the acumen and judgment of trained credit executives adhering to the principles of sound credit as sponsored by the National Retail Credit Association and using the facilities of its 1,280 credit reporting bureaus for checking information.*

During the halcyon days before the depression, the average loss on open charge accounts of all types of stores was 0.5 per cent and during 1932 the peak year of the depression (we hope) they increased to 1.5 per cent. At first glance it looks like a big jump but—

When we consider that stocks of merchandise have shrunk 25 to 40 per cent and investments dwindled so fast it made us "dizzy," we feel that we can say without fear of contradiction that Accounts Receivable, that much abused and oft-questioned item in the retail store's financial statement, proved to be the most stable of all assets!

Retailers who have hesitated to endorse credit as a store service because of a fear that it might lead to enormous losses, will do well to study the figures in the sixth semiannual report of the Department of Commerce. They prove conclusively that credit extension can be controlled and with the proper safeguards is safe, profitable and a sales promoter of exceptional merit.

Reorganization of banking and investment credit is absolutely necessary, but consumer credit is sound and will remain so just as long as retailers follow the teachings of the National Retail Credit Association *and are cooperative and not competitive on credit terms and practices.*

"Old Guard" Day a Success

"OLD GUARD" Day, May 4, was a great success. Practically all of the local retail credit associations throughout the country arranged special meetings for either noon or evening and the unusually good programs of entertainment and speaking attracted large attendance.

In fact, reports indicate that over 10,000 members and their friends heard the message of the "Old Guard" Committe, calling for every credit manager to show increased interest in his work and increased vigor in promoting Association activities and a Community Credit Policy.

We congratulate the "Old Guard" Committee, A. D. McMullen, *Chairman of The Day*, and Leop. L. Meyer, *General Chairman*, in whose clear thinking and quick working brain the idea developed. We predict that in addition to the renaissance of Association activity, "Old Guard" Day will become a definite feature and will be looked forward to each year as *National Retail Credit Day*.

We have before us a list of 115 cities in which "Old Guard Day" was observed and programs of 85 of these meetings. Never in the history of our organization was such a universal interest shown in the cause of sound credit.

We predict that this will have far-reaching benefits and officially thank all those loyal members of the "Old Guard" who sponsored the movement and answered the call. This is the kind of response which inspires National officers and the "Old Guard" Committee to carry on to greater achievements and more coordinated effort.

National Retail Credit Association Convention Postponed

PROBABLY the most serious problem ever confronting the Board of Directors of the National Retail Credit Association was that of deciding to postpone the 1933 Convention, scheduled to be held in Memphis next June.

An unusual paradox was presented in that business conditions indicated there never was a need for greater study of credit problems, yet the directors could not overlook the policy of retail store owners calling for the most rigid economy.

A canvass of large local associations and replies of leading credit managers showed that practically all retailers had eliminated convention expense from their budgets and what was more important, they felt the credit manager should remain on the job every minute and could not leave his desk for the time necessary to attend a convention. It was evident the attendance would be very small and not representative, in that the majority would come from a limited territory adjacent to the convention city.

The public reaction to a small meeting, the expense to the Association, the disappointment to the loyal members of our host city, who had looked forward to entertaining the greatest convention in our history—all were considered; *but the deciding factor which caused President Lovett to ask authority of the Board to postpone the Convention was a desire to cooperate with the economic policies of our merchants.* The Convention will be postponed for one year and a meeting of the Board of Directors will be held at National Offices in St. Louis, to plan for the activities during the fiscal year.

Echoes of the Recent Banking Holiday

Three Cheers for Grandpa!

Thus ran the heading accompanying the cartoon reproduced at the right, which appeared on the front page of the *Dallas Journal* shortly after President Roosevelt declared the bank moratorium.

It is indeed most appropriate. It Shows that Old Man Credit can be relied upon in time of need.

He is worth more than gold, more than silver, and more than any other medium of exchange. This Association is very grateful to the Journal's staff artist, Mr. Jack Patton.—*J. E. R. Chilton in the "Texas Retail Credit News."*

» » »

A "Holiday" Ad

Kline's, St. Louis, in a newspaper advertisement, invited people to come in—even if they didn't have any money. A "singsong" headline said: "Lotsa money in the bank, purse is looking sorta blank. Let's go down to Kline's and spend some time! (Just time.)"

"You won't be asked to buy," ran the ad, "but if you should see anything that you simply can't live without, it's yours. Your credit is still good with us."

Short-Time Accounts Make Long Friends

By ARTHUR J. KRAMER

Credit Manager, Borden's Farm Products, Inc., New York City

IN THE business "set-up" of a few years ago the credit manager and the treasurer were looked upon as the "watchdogs" of the treasury—they held the purse-strings.

The credit manager's only aim was to keep the company's credit losses at the lowest figure. There was a spirit of interdepartmental strife born of a feeling that the credit department was usurping the jurisdictions of the other divisions, and a deplorable lack of cooperation existed. Fortunately, and inevitably, all this has changed. The sales divisions and the credit departments, particularly, are no longer enemies. Today they are working together.

The credit manager realizes it is partly his duty to develop and enlarge the scope and volume of his company's business, but more important still he knows he must create good will and make and retain friends for his firm. He knows also that the good will of these friends is frequently the greatest asset his company possesses.

But the credit granter's method of creating friends differs from the methods of other branches of his business. He has come to realize that long-time friends are not made through generosity or liberality of terms, but are induced through short-time accounts and by keeping these accounts paid.

This point has been illustrated frequently in recent years, sometimes painfully. On many occasions, I have been reproached by customers who felt their sense of justice had been violated when their accounts had been permitted to run longer than the term agreed upon, just because they were good risks, and who were later pressed for payment. Their resentment of the collection pressure necessary on delinquent accounts was justified when we originally offered no objection to the extra time taken.

You will say immediately, "Why didn't she pay promptly?" or "Why didn't she answer your first mild reminder?" There are many reasons that, to her mind, are satisfactory. Regardless of the reason, the resentment resulted in loss of friendship traceable directly to the long-time credit.

The bankruptcy courts today, although they reveal alarming acts of dishonesty, list many honest debtors seeking relief from ill-granted, long-time credit. With the present, rapidly changing, financial status of our customers, it is becoming more and more difficult to estimate capacity or ability to pay on the due date if long terms are granted.

Are we justified and are we breeding friendship in permitting our customers to run into debt beyond their fixed ability to pay, through the extention of long terms? Longer terms lead inevitably to larger amounts. You can induce friendship by helping to keep your customers solvent.

Prosperity can sometimes work wonders in creating friends of long-term accounts. The reverse is true today, however. But, are we making friends by changing terms with changing prosperity?

Frequently the retailer thinks and feels he is forced, through competition, to extend credit for longer periods than good judgment dictates in order to hold the friendship of his customer. In my opinion, this is far from the prevailing need. You cannot cultivate the friendship of your customers by putting them in debt.

It may seem strange to many to know that our statistics show we resell a greater number of customers on whom we have withdrawn credit privileges after two or threee weeks than we do when we permit accounts to run longer, and the longer we permit accounts to run before withdrawing credit, the fewer we resell. I think this is conclusive evidence that long friends are created through short-term accounts.

Have you ever had the experience of losing a customer to whom you had extended long terms because of her reluctance to buy where a balance was owed and to find later that your competitor was securing her current business and being paid promptly? If you haven't already had such an experience, when you do you will then realize that long friends only exist when terms are short and strictly adhered to.

Short-time accounts do not endanger the loss of friendship due to the questioning or investigating of the kind that customers resent because they do not understand its meaning to you, but which we know is so necessary when longer credit is granted.

Many houses are still practicing an evil that will become more and more damaging to their friendship and good will as time progresses; that is the evil of the encouraging of greater purchases by so-called "good accounts," offering longer terms as an inducement. Many of you will object to this statement, saying that competition through terms has been eliminated. Maybe it has in your line. If it has, be thankful you are not in the food business!

However, the fact that many of you permit your accounts to run, if they are good buyers and good risks, disproves your contention. We have demonstrated in my business, and to my satisfaction, that short-term accounts are more frequent and regular buyers and more friendly.

Long-term accounts breed disputes, hence bad friends. The long-term credit customer, whose memory may be

(*Continued on page* 32.)

Breaking the Blockade With Credit Department Sales Promotion

By WILLIAM GLASS

Controller and Credit Manager, Cottrell Clothing Co., Denver, Colo.

The firm that does not believe in advertising its Credit Department under present conditions should remember that it was not raining when Noah built his Ark

THE nature of panics and depressions and the principles of business cycles are the same whether the population of a country is twenty million or one hundred million—whether goods are shipped by coach, canal, steamship or railroad. The principles are related essentially to the inflation and deflation of prices, wages, and credits.

Our excellent national organization of retail credit men and those interested in retail credits, has been found a wonderful asset during our very recent depression. Instead of credit being a burden or a great handicap we have found that it is a big help in spanning the blockade.

Sales Promotion was at one time considered the job of the salesmen and executives in charge of sales, but the right kind of a credit man can do more with sales promotion through his department than a dozen salesmen. And today we find the Credit Manager being called into the executive meetings when Sales Promotion is the uppermost topic.

Now is the time for every credit manager to get in his good work and secure new customers for his firm with a credit service that will be long remembered by the deserving people of his community.

A plan used by the Cottrell Clothing Company of Denver was very effective in spite of the fact that the first two letters were mailed during our recent National bank moratorium:

First: Secure a good list of prospective charge customers of your city, either through clubs, Chamber of Commerce or professional men's organizations of your city.

Second: By all means clear this list through the records of your local credit association and get the up-to-date credit information on each prospect. Weed out the undesirable ones before starting, and then concentrate on the good ones.

Third: Make your letters rather close together, about six or eight days apart and use short, snappy letters.

The enclosed letters were used very effectively and we consider them very much to the point for a man's letter. The first three letters were signed by the Credit Manager and the fourth letter (containing the blank statement) by the head of the firm or someone higher in authority.

To the credit men who may read this, it must be remembered that your position today is not only the job of passing on credits and other such duties of the department, but your job is also to assist the management of your business in their work of building a business for tomorrow and to get that volume we all want and get it on a profitable basis. The new customers you secure today through the efforts of sales promotion in the credit department will tomorrow be the biggest asset your firm will have.

COTTRELL'S
[illegible] SIXTEENTH STREET
DENVER COLORADO

March 2, 1933

Mr. J. L. Green
1234 South Emerson
Denver, Colorado

Dear Mr. Green:

No matter how difficult the matter of extending credit may become in times like these, there remain a number of men in Denver whose names any store would like to have on its books.

You are one of them.

We know you appreciate good merchandise, unhurried service and fair prices. We also know that you will meet any obligations you may contract.

So we are inviting you to open a charge account here. We think you will like the store and the goods it sells, and we know that your name on our books would look good to us.

Cordially yours,

COTTRELL CLOTHING COMPANY

(Letter #1 signed by Mr. Glass)

LETTER NO. 2

(Signed by Mr. Glass)

Mr. J. L. Green,
1234 South Emerson,
Denver, Colorado.

Dear Mr. Green:

The mission of this store is to serve such men as you.

We sell good merchandise at reasonable prices to men of good taste.

It would give us great pleasure to have your trade; we'd try mighty hard to make it give you pleasure, too.

You had a letter from us recently saying the charge account privilege was open to you here. We just want to remind you of it again, at the same time that we tell you of the arrival of the new Hart Schaffner & Marx clothes and fine hats and furnishings for spring. You'll like them, and the store's service and prices, we feel sure.

Cordially yours,

COTTRELL CLOTHING COMPANY
Credit Manager

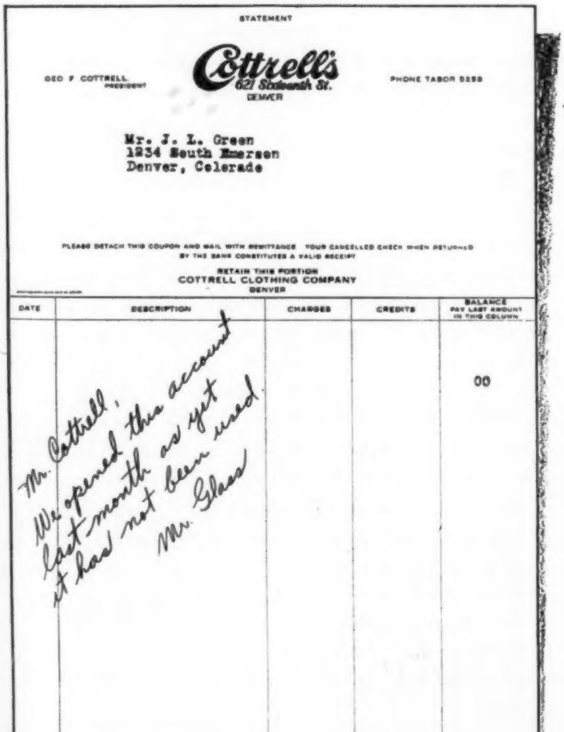
LETTER NO. 3

(Signed by Mr. Glass)

Mr. J. L. Green,
1234 South Emerson,
Denver, Colorado.

Dear Mr. Green:

That page in our ledger with your name at the top which we opened when we first wrote you about the charge privilege is still blank.



STATEMENT

GEO F COTTRELL
PRESIDENT

Cottrell's
621 Sixteenth St.
DENVER

PHONE TABOR 5288

Mr. J. L. Green
1234 South Emerson
Denver, Colorado

PLEASE DETACH THIS COUPON AND MAIL WITH REMITTANCE YOUR CANCELLED CHECK WHEN RETURNED BY THE BANK CONSTITUTES A VALID RECEIPT

RETAIN THIS PORTION
COTTRELL CLOTHING COMPANY
DENVER

DATE	DESCRIPTION	CHARGES	CREDITS	BALANCE PAY LAST AMOUNT IN THIS COLUMN
	Mr. Cottrell, We opened this account last month as yet it had not been used Mr. Glass			00

TERMS: MONTHLY STATEMENTS
MERCHANDISE PURCHASED OR RETURNED AFTER THE 25TH DAY OF EACH MONTH WILL BE ENTERED ON FOLLOWING MONTH'S STATEMENT

Blank Statement mailed with Letter No. 4

Really, we think you are missing something, and we know we are.

This store is organized especially to serve men like you. If you once try it, you'll like the store; the men in it; the goods they sell, and the way they serve you.

We'd appreciate a chance to prove it to you.

Sincerely yours,

COTTRELL CLOTHING COMPANY
Credit Manager

LETTER NO. 4

(Signed by Mr. Cottrell)

Mr. J. L. Green,
1234 South Emerson,
Denver, Colorado.

Dear Mr. Green:

My Credit Department handed me the enclosed statement and notation this morning and I just want to say that I would certainly appreciate it if you would use the account that has been opened for you.

I have served the people of Denver 41 years giving them the best values obtainable in men's clothes and furnishings and I hope to make this year one of the best of my career.

Drop in and shake hands as I always have time to chat with an old customer or a prospective new customer.

Sincerely yours,

COTTRELL CLOTHING COMPANY
President

» » »

The Retail Credit Survey

The United States Department of Commerce on May 6 released the latest figures in the Retail Credit Survey, covering July to December, 1932. This study is most interesting, because it covers much of the peak period of the depression.

The Superintendent of Documents, Washington, D. C., will supply this interesting pamphlet for only five cents per copy, or it can be had from the National Office of the N. R. C. A. Ask for Pamphlet No. 83.

» » »

Spokane Elects

The Spokane Retail Credit Association, Spokane, Wash., recently elected the following officers and directors for the coming year:

President,	Joe F. Hunt, Spokane Title Co.
Past President,	E. K. Barnes, First National Trust & Savings Bank
Vice-President,	J. W. Moss, Washington Water Power Co.
Secretary,	N. M. MacLeod, Spokane Credit Men's Rating Bureau
Treasurer,	B. B. Kennedy, R. J. Martin & Co.

HOLD OVER DIRECTORS:

Mr. V. R. Kinert, Home Lumber Company, and Mr. H. A. Garrett, Garret-Stuart-Sommer Co.

NEW DIRECTORS:

F. L. Croteau, Diamond Ice & Fuel Company, and Miss Marie Umbewust, John W. Graham & Company.

Extravagance and Speculation—Primary Causes of Bankruptcy, Boston Survey Proves

By R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

IT WILL be recalled that on June 18, 1931, at the St. Louis Covention, the writer said that a law that permits a man to escape payment of his just debts even to the necessaries of life because he has lived extravagantly, indulged in speculation or other forms of gambling, and has not given reasonable attention to business, is an unwise law and should be amended.

By the time this article appears in print, there will have been released for publication by the Department of Commerce a pamphlet entitled "Causes of Bankruptcies Among Consumers," prepared by Messrs. Sadd and Williams of that Department. It is a study of Boston bankrupts made with the cooperation of the Institute of Human Relations and the Law School of Yale University. The report definitely substantiates that statement of the writer at St. Louis, since the outstanding cause of bankruptcy of the 266 cases intensively studied was found to be extravagance, with speculation figuring almost as prominently.

A careful reading of the report will lead any fair-minded person to the inevitable conclusion that we have an archaic bankruptcy law, framed in 1898, and that notwithstanding the epochal changes in our social and economic life which have arisen in the thirty-five years since its enactment, nothing has been done to tighten up discharge provisions. Our gold reserve increased $2,686,000,000, or 148 per cent, in the ten years from 1914 to 1924 and with the vast supply of cheap credit thereby made available and with retailers selling nearly half upon credit as against less than 10 per cent in 1898 and with lax bankruptcy discharge provisions in our bankrupt act, payment of debts by a discharge in bankruptcy was the almost necessary concomitant of the wave of extravagance and speculation prevalent at its peak with the break in 1929.

During the ten-year period, 1920 to 1930, America's population increased 16 per cent but bankruptcies of consumers, as shown by the report of the Attorney General (classified in that report as wage-earners) increased 414 per cent during that period. The mere fact that 98 per cent of the commercial bankruptcies and about 99½ per cent of the non-commercial bankrupts who seek a discharge are granted discharges outright suggests inquiry regarding the consideration which is given to application for a discharge. All bankrupts, for the years 1920 to 1930, averaged 8.45 per cent on the dollar but in the Boston study and as to 262 closed cases *the creditors received but six-tenths of 1 per cent on their proven claims.*

Now it happens that the last administration realized that creditors took little or no interest in bankruptcy causes and allowed discharges to be granted almost at will feeling that opposition would be bootless or at least would require more expense than the results would compensate for. That being the case the administration, as provided by section 53 of the Hastings bill, proposed to set up within the Department of Justice a so-called Bureau of Bankruptcy and through its administrators and examiners investigate and prevent discharges in improper cases.

These, it was estimated, would amount to a large number. The expense of maintaining that set-up was estimated by some to run as high as two million dollars per annum and with the urge for economy running throughout the nation and with diminished revenues, this provision was bitterly opposed.

The National Retail Credit Association, in its Five-Point Bankruptcy Program, has supplied an adequate substitute for a bureau of bankruptcy in that discharges will be much more difficult to be obtained, even though administrators and examiners are not provided by law. In September of 1932, the writer suggested to the lawyers, bankers and credit men assembled at St. Louis that with the creation of an additional assistant attorney general in the Department of Justice and with annual investigations of the bankruptcy records, it would be possible to obtain an adequate administration of the law.

It will be noted in this connection that on April 17th, of this year, the Supreme Court of the United States revised twenty-seven of the existing forty-seven general orders in bankruptcy, and added three additional orders. Under the new general orders in bankruptcy, referees in bankruptcy are required to submit accounts every six months, one copy of which is to be sent to the Attorney General.

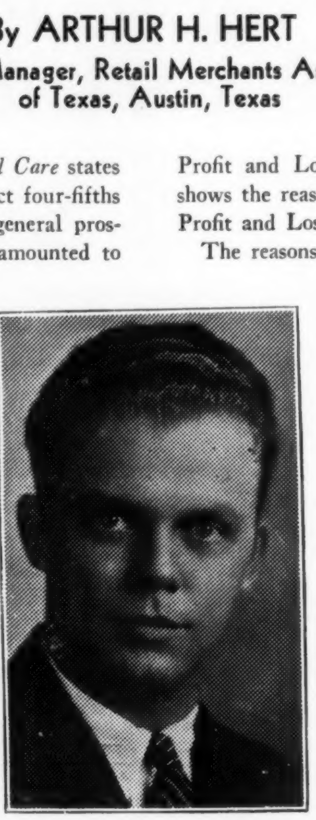
In this semi-yearly report, the referee is also required to include a statement of the cases referred to him which have remained open for more than eighteen months, giving the reason in each instance why they have not been closed.

One-Fifth of Physicians' and Dentists' Incomes Is Lost to "Dead Beats"!

By ARTHUR H. HERT

Secretary-Manager, Retail Merchants Association of Texas, Austin, Texas

THE *Committee on the Costs of Medical Care* states that physicians as a class normally collect four-fifths of their charges. Even in a year of general prosperity such as 1929, physicians' collections amounted to only about 81.5 per cent of the amount charged the patients.



Losses from bad accounts are not peculiar to physicians but in no other legitimate field of endeavor are the losses so high as in the practice of medicine nor is there such an attitude of reluctance on the part of the general public in failing to pay bills. The fact that physicians normally fail to collect such a large per cent of their charges is of great significance in the economies of medical care.

When a service is so operated that its income is derived from only 80 per cent of its consumers, obviously—to the consumer who pays—the cost is 25 per cent more than it need be, unless someone else makes up the deficit.

Some time ago I analyzed 204 accounts charged off to Profit and Loss, in 1930, by three doctors and two dentists. The total amount charged off was $10,669 or an average of over $52 for each account. The following analysis indicates the marital status of the accounts:

	ACCOUNTS	PER CENT
Male, single	46	22.3
Male, married	118	57.9
Female, single	15	7.4
Female, married	25	12.4
Total	204	100.0

These five doctors and dentists were members of the local retail merchants association *yet they requested complete credit reports on only 24 of the 204 accounts charged off to Profit and Loss* or 11.8 per cent of the total while on the remaining 180 accounts, or 88.2 per cent of the total, no reports were secured. In other words, in only two out of every ten accounts charged off to Profit and Loss were reports secured from the local retail merchants association regarding their credit status.

It is interesting to note that these doctors and dentists kept their accounts on their books many years before they were charged off to Profit and Loss. Table A (right) shows the years in which the accounts charged off to Profit and Loss were incurred and Table B (below) shows the reasons why 204 accounts were charged off to Profit and Loss.

The reasons why these 204 accounts were charged off to Profit and Loss are quite important as well as interesting. The most surprising result of this table is that 90.1 per cent of the accounts were those of "Dead Beats"—people who could be located and who were employed but who simply refused to pay their obligations, for no good reason other than the lack of the desire to do so. This table confirms the conclusions arrived at by the *Committee on the Costs of Medical Care* in that the attitude on the part of the general public in failing to pay their bills is mostly negligence.

Paying debts is habit-forming, and a person is just as liable to develop the habit of paying debts as he is to form the habit of neglecting debts, and the worst thing that might happen to a customer is to learn that his account may actually

TABLE A

	ACCOUNTS	PER CENT
1922	2	1.0
1923	2	1.0
1924	8	3.9
1925	15	7.3
1926	21	10.3
1927	14	6.9
1928	57	27.9
1929	45	22.1
1930	40	19.6
Total	204	100.0

TABLE B

	ACCOUNTS	PER CENT
"Dead Beats"	184	90.1
Temporary financial difficulties	11	5.4
Unable to locate	4	2.0
Unemployed	2	1.0
Sickness	2	1.0
Deaths	1	.5
Total	204	100.0

be neglected with freedom. Doctors as well as merchants should realize that the public will react to their credit policies and requirements if they are rigidly enforced.

Credit authorities agree that in granting credit, whether it be for merchandise or professional services, there must be a systematic method established: first, in selecting the safe risks, and second, there should be visible means of collecting in the event confidence has not been wholly well founded.

To arrive at the true merits of the applicant first consideration should be given to the applicant's past record for meeting his contracts. Next in importance is his resourcefulness: The ability to earn or borrow—to meet his obligations. Then consideration should be given to the amount outstanding to which can be applied only the available income accessible during maturity dates of obligations and—*finally*—the disposition of the applicant to keep faith under all circumstances.

In order to secure this information upon which to base any conclusions as to whether or not the applicant is worthy of credit, the doctors and dentists should be members of their local retail merchants association or credit bureau. These associations are central clearing organizations in whose offices information is gathered and disseminated to subscribing members thus affording the members an opportunity to obtain information as to the paying habit and antecedent history of each individual who buys on credit and who lives in the city or surrounding territory.

Credit associations operate in a manner similar to that of great news-gathering agencies, searching everywhere for any information that has a bearing on retail credit accounts and placing it on master cards in the local office concerned where it is available for every subscribing member and can be had at a moment's notice.

In the past, however, doctors and dentists have insisted that the ethics of their profession would not allow them to check up on a patient's capability to pay. This theory is gradually becoming obsolete and doctors and dentists are beginning to realize that it is better to find out all that it is possible to know

(*Continued on page* 31.)

Editor's Note:

"These findings," says Mr. Hert in the article alongside, "confirm the conclusions arrived at by the *Committee on the Costs of Medical Care* that the attitude on the part of the general public in failing to pay their bills is mostly negligence."

Realizing the plight of the professions in making collections at the present time and realizing, too, that the policy of "Pay the Doctor Last" is due to a lack of understanding on the part of the public as well as laxity on the doctor's part, we believe the physicians, dentists and hospitals will profit by cooperating in community "Pay Promptly" campaigns.

The advertisement reproduced below (part of the new National Retail Credit Association Pay Promptly Campaign) dramatizes the doctor's problems in an effort to educate the public to pay *all bills* promptly.

Emergency Calls Don't Mean "Six Months From Now"!

The physician, the hospital, the dentist, the druggist—are entitled to the same promptness—in the payment of their accounts—as you expect from them in emergencies

WHEN emergencies arise, when tragedy impends, they are expected to respond—night or day, in fair weather or foul—*and they do.*

But, too often, that same promptness is not shown when time for payment comes. *Is that fair?*

They have bills to meet, too! And families to support and employees to be paid—just like the rest of us.

And remember, how you pay *them* is known to the retail stores—and how you pay the stores is known to *them* also—through your record at the credit bureau.

To keep your credit record clear, *pay all bills promptly*—by the tenth or as agreed.

MEMBER
TREAT YOUR CREDIT AS A SACRED TRUST
© [illegible], N.R.C.A.

PUBLISHER NOTE CAREFULLY: This Space Is for Local Association Signature to be Set by You.

Cut off small brackets at each outside corner of advertisement which are placed there to indicate exact size of space. This ad must be run at bottom of page.

Ask Your Retail Credit Bureau for Details

"We Guarantee to Collect"

By ADDISON FORRESTER

"WE GUARANTEE to collect!"

The speaker paused dramatically and looked keenly at Frank Stone, the department store credit manager, who smilingly awaited the next statement as he had already termed John Tarr an exceptional salesman.

"It's our guaranty that makes us different from a collection agency; we are an adjustment corporation. Do you know the difference?" asked Tarr.

"Last week a man from Missouri called his guarantee 'outfit' a 'financial clearance company,' so you see, there are many names for collection agencies in these days," answered Stone, ignoring the innuendo.

"I've called on a hundred big credit men who had never heard of a guaranteed system of collecting accounts; and I sold most of—"

"Do you mean they all were big two hundred pounders?" interrupted Stone without permitting his tone or expression to indicate the sarcasm he felt. "Anyhow, it doesn't matter. Tell me about your contract. The fact that you have a letter of introduction from Mr. Maxey, general manager of our big Eastern store, forces me to be completely at your service, Mr. Tarr, whether I know anything about the 'guarantee to collect' system or not. So, tell me your General Orders and let the inspection start."

Stone was an ex-soldier and dropped into the vernacular of the army, occasionally, when meeting certain types of men.

"Maxey is one of the smart men of the department store 'game.' He saw through our guarantee-to-collect system at a glance and signed up without even studying our contract. I make it a point to explain everything so clearly that a man like Maxey can do that; and it doesn't take a lawyer to interpret it. Now, let me—"

"Lawyers are good to have around," interrupted Stone. "They are friends in need, most always."

"Mostly always nuisances," replied Tarr, pausing for a moment. "Now, our guaranty is very simple. The contract requires a payment of three hundred dollars—"

"In advance, of course," said Stone.

"Yes; in advance, of course; it's our contractual obligation whereby you secure the expert services of our adjustment corporation. It's not an expense calculable as part of the fees on the accounts collected. In consideration of the payment of the three hundred dollars, we guarantee to collect $1,000. Now—" Tarr frowned slightly at the interruption.

"By the way, Mr. Tarr, did you ever have a hobby?" asked Stone, edging in his words in a manner that made Tarr's eyes twinkle.

"Yes; once; it was to be a credit man," flashed back Tarr.

"Mine was to own a parrot. Of course, that was long ago; now my hobby is to play at golf—95 to 110," said Stone.

"I go that high, too, when out of practice; usually play 80 or 81," grinned Tarr, "but, as I was saying, the $300 cannot be computed as a part of the collection fees. They are on a different basis and—"

"In other words, the client donates $300 or any other pay in advance sum, for the honor of being one of your subscribers? I was hoping that you would tell me that it would be the total cost," said Stone.

"Your lips belie your words; you know it doesn't," Tarr laughed heartily but not loudly and continued, "You and I can get along, old man, because your sarcasm and mine run along the same lines. I like to meet a man like you, occasionally, but occasionally is plenty. I was in the navy; 'Jack' Tarr of the navy."

"Glad to hear it, Jack, but it takes the infantry to win wars. Now, I shall listen all the more willingly. Hoist anchor and forward march with your explanations. I'm all ears," answered Stone.

"So much for that. As I was saying, our collection fees are little ones, never over 30 per cent, and based upon the manner in which the amounts are collected. Before going into that, let me show you some letters from real credit men, treasurers and controllers," said Tarr.

"I'll read those of the credit men," answered Stone, watching Tarr open his immense portfolio and withdraw at least a hundred photostatic copies of letters. The top one was the contract acceptance letter of Mr. Maxey, dated only ten days ago and already in use in Tarr's intensive sales promotion plan.

"Looks as though I might learn something from those important-looking letterheads," remarked Stone.

"If you don't learn, you're smarter than you look," answered Tarr.

" 'Never mind the guard'; no compliments, please, old gob, but let me look at the top dozen; the other eighty-eight will all be the 'run of the mine' or near copies of the master twelve." Stone turned over Maxey's letter without reading it.

"That's Maxey's letter," said Tarr, quickly, "read it."

"Why? Mr. Maxey knows nothing to write. It would take a merchant more than ten days to learn something about your collection agency. Your office has not as yet received his accounts. If I must read, let me have these on top that should show real experience. Ah, here we are, one dated 1928; the boom year; the 'charge of the dry brigade'; Utility Company, New Jersey; same company again in 1930 and 1931; letter of treasurer says it is a 'good check on his credit man.' Must be a 'dumb-bell' credit man not to be able to collect some of those accounts; needs checking, I'll say."

"Ah? a Pittsburgh letterhead; huh, another utility company treasurer; 'superior and unexcelled service'; bunk! I know some of these utility men; they have a lot to learn about collection problems."

"So do a helovalot of credit men," said Tarr.

"'Et tu, Brute,'" answered Stone, reading more letters. "What I want to read is a letter from a real retail credit man who wrote it after a year's experience. Anyhow, let me see your contract."

Tarr paused a moment in a dramatic way, then pushed a letter across the desk to Stone.

"Here's one for you; I saved it, expecting your criticism. Maxey told me to look for some 'hot' criticism from you. This letter is from a utility controller who, in 1930, gave us a $300 contract on which we guaranteed to collect $1,000, and we did it. In 1932, this man, 'who knows his onions,' is giving us his entire Profit and Loss list of $90,000. Can you beat that?"

"I hope not; now and never," answered Stone. "You know I like to read these letters; they are a sort of mental tonic; shows I'm not the only 'jackass rabbit' in retail credit. Now for your contract."

As Stone studied the contract he made notes during which Tarr began a machine-gun-like fire of explanations. He kept it up until he saw that Stone knew that "game" of chatter so well that he had concentrated on the contract and didn't hear even a word. Tarr leaned across the desk toward the notations and frowned as he read:

1. "Contractual obligation," $300, in advance; "we guarantee to collect" $1,000 (see below for collection fees extra).

2. Must send at least 75 accounts aggregating $3,000. If $1,000 is not collected from the first 75 accounts, or the first $3,000, the client must send enough accounts to let "company" collect the $1,000. This means client might have to keep on sending accounts indefinitely.

3. The *"Collection Fees"* are 30 per cent on all payments of less than $40. When postage is reduced to two cents the fee will be 25 per cent.

NOTE: This means that on payments of more than $40 made direct to the "guaranty company" it could divide the payment and still get 30 per cent. Thus, it will cost the "client" at least 60 per cent of the collections; also when the guaranty of $1,000 is collected the contract has been fulfilled. ***But it does not say that they return the unpaid balances.***

4. "No suits are entered without approval or authority of the client." The guaranty company pays all "costs of suits."

NOTE: The definition of "costs of suits" sometimes does not include attorney's fees which might be extra and billed to "client."

5. "All addresses furnished must be accurate and correct."

NOTE: This is fair but sometimes difficult with old accounts. It means that if debtor moves after the "company" gets the account they make no effort to collect but ask for another account.

6. "If less than the amount of the guaranty is collected within the contract period of two years, the guaranty will be paid in proportion to the actual amount collected, using the contractual fee as the basis for the proportion."

NOTE: Some joker! The "company" guarantees in one paragraph and "renigs" in another one. Bunk!

7. Guaranty company reserves right to retain for *final collection,* after the expiration of the contract, all accounts on which payments were being made.

(*Continued on page* 24.)

"I don't like an argument," said Stone, "and I know that you can give one, but I can mention three good, old, reliable collection agencies—also the Credit Bureau in our town, who would be glad to have an 'advance fee' contract with us or with any one.

"I do not believe in them and will not sign such contracts."

Courtesy—Courage—Caution

(The Three C's for the Credit Man)

By G. W. SOSEBEE

Credit Manager, Perkins-Timberlake Co., Inc., Wichita Falls, Texas

IT HAS long been the custom of credit men and merchants doing retail credit business to speak of the *"Three C's"* applying to a prospective customer. In this article it is my desire to discuss the "Three C's" which I feel apply to every retail credit man or merchant: *Courtesy—Courage—Caution.*

COURTESY: Politeness, our gesture of civility and respect to our customer—the gem of our mannerism—places the applicant at ease and he is then ready to give information which otherwise could not be obtained. Always lead a customer, don't try to drive him!

When a customer approaches my desk seeking credit or other information, (after being seated) I make some commonplace remark usually with reference to the weather being hot or cold or dry or too much rain and have found this friendly approach and response to his greeting places the customer in a talkative mood and he is willing to give me the information desired without feeling he is being subjected to "Red Tape," proceedings.

Encourage frequent contact between your department and the customers of your store. This engenders confidence and enlarges ability to understand customers' needs, and I know of no better way to build a successful credit department than on Confidence and Understanding.

Confidence in the customer on the part of the credit department. Definite understanding by the customer that payment of his account is expected, according to the terms of your store.

COURAGE: Do not hesitate to be frank in dealing with your customers. Be kind, yet firm, and tell them the truth and they will praise you some day. Many customers have said to me, "I have never forgotten your kind admonition about paying promptly when I opened an account at your store."

Say to a customer what he should know, rather than the often-used expression, "Your rating is not satisfactory with the Retail Merchants Association." Do your bit in educational work.

Tell the customer why you can't sell him: That he owes two department stores past due accounts—that he owes the drug store and the grocery man. Most customers appreciate this frankness on your part and, as a result, many who would otherwise be slow-paying customers are prompt in meeting their obligations.

CAUTION: Be careful in extending credit. Be sure the person is not *overbuying,* or buying from too many firms. An applicant on whom the Retail Merchants Association reports "Twelve firms selling average accounts $15 to $20 and accounts handled in a satisfactory manner," is a more dangerous customer than the man whom the Retail Merchants Association reports "One department store reports very prompt accounts high as $50."

It is a fact that a customer who has the privilege of a charge account buys more, hence, the more stores he has accounts with, the more likely he will be to overbuy.

I cannot look at a man and tell whether he will pay his obligations, but I know some merchants, also a few credit men, who permit "Mr. Prominent Citizen" to take merchandise out of their stores without first securing the benefit of the experience of fellow-merchants! There are several characteristics which influence credit granting, such as good personality, a reputation for fair dealing and integrity, etc.

Figures of the National Industrial Conference Board, recently released, show that the total volume of employment has declined 43½ per cent from 1929, the total working hours of those still employed have fallen 27 per cent on the average and their wage rates have fallen 19 per cent. A combination of these three factors indicates that wage earners in the United States have suffered since 1929, a decline of 66½ per cent in total remuneration received.

From the above statistics, the necessity of very careful investigation of applicants for credit is obviously greater than at any time during the past several years. Use your local credit bureau freely. Read and study the many good articles in The CREDIT WORLD every month. Keep abreast of the times!

A Bonded Collection Department in Every Community

By F. A. WHITTEN

Credit Manager, Rorabaugh Dry Goods Co., Oklahoma City, Okla.

AT THE convention in Washington last year a five-year plan was proposed to accomplish the following results:

FIRST—That a representative member, offering honest and efficient collection service be located in every important community in the United States and Canada.

SECOND—That an educational course, complete in every detail, be given to aid such members to make the most of their advantages—to show collection departments how to get business, how to handle correspondence, how to make collections and produce highest returns to the client on the least expenditure of money.

THIRD—The complete coverage of every small community in the United States and Canada being serviced by an honest, efficient collection office.

FOURTH—The development of business volume through the district offices which have already been established and which are already functioning on consumer reporting business. The two lines of work go hand in hand and can be handled together with little or no additional expense. The thought is that millions of dollars of collection business is now going to other agencies less efficient than our own membership can offer and at the same time depriving rating bureaus and credit executives of vital collection information which ought to be in our bureau files.

Now, Mr. Credit Granter, the five-year program, as above outlined, is an objective and, as a credit executive, you appreciate the fact that every credit manager, member of the National Retail Credit Association, can profit by getting in behind such a program in his community and working in conjunction with the credit rating bureau to the end:

FIRST—That the credit bureau is interested in assembling all collection data for the benefit of its files.

SECOND—That this information cannot be successfully accumulated in most cases unless a centralized collection department is organized and operating. That such a collection department operating under the supervision of credit executives and the credit rating bureau in any community is a valuable asset in many ways.

THIRD—That it is not fair for you as a credit executive to disregard the demand for such service in your own community and assume a disinterested attitude if you are availing yourself of such service in other communities.

FOURTH—As a matter of cooperation, you, as a credit executive, should help to bring about honest and efficient collection service in your community—the same as other credit executives have done in their communities, so that an honest, efficient, collection service may be had by all.

FIFTH—That credit executives of the National Retail Credit Association, along with credit rating bureaus, should realize the importance of this new program to visualize the scope that the five-year plan contemplates and put forth every effort not only to encourage the plan in their own various communities, but to insist that a satisfactory arrangement be sponsored in their community to conform with this plan.

SIXTH—That if the credit executives, now members of the National Retail Credit Association, together with credit rating bureaus, and the present membership of the Supervising Collection Department, put forth their proper effort during the next two years, the greater part of the five-year plan of the Supervising Collection Department will be realized and at the same time millions of dollars now outstanding in past due uncollectible accounts, accrued because of certain conditions over which we have no control, will be salvaged and come back to the credit executive as a direct reward for his efforts in establishing a full and complete collection service.

I believe that every credit granter should throw his whole-hearted support to such collection departments. The one way to make a collection department workable is to work it and work with it. Do not distribute your bad accounts to Tom, Dick, and Harry. This not only increases your clerical work but contributes very definitely to destroying your local collection department. There is just as much benefit to be derived from a community collection department as from a bureau. Every bureau manager, not having a bonded collection department, should take immediate steps to that end.

The President's Message

ARTHUR P. LOVETT
President National Retail Credit Association
Credit Manager, Hettinger Bros. Mfg. Co., Kansas City, Mo.

National Convention Postponed

BY THE vote of our directors and officers, they have postponed our National Convention to be held in the city of Memphis, Tennessee, until June of 1934. This was done only after very careful analysis of present-day conditions.

Credit executives and credit managers at key points in the nation were asked to write their opinions as to how many delegates would come from these different points to the convention. They were practically unanimous in feeling that owing to business conditions, few would be able to attend and that at this time, it would be unwise to hold our National Convention.

As the cardinal principle of our Association is service to the Merchants, we felt we should respect their wishes both as to conserving expense and—an important item—the necessary time for their credit managers to attend the meeting. Credit Departments in practically every store in the country have had their forces reduced; therefore, more duties have been thrown on the shoulders of the credit executives, and it would be extremely inconvenient under these circumstances for many of them to leave their desks. In many cases firms have dispensed entirely with vacations, unless taken at the employee's own expense, and in every case expense budgets have no provision for conventions.

The time is opportune, however, for credit executives to take more interest in local association affairs and cooperate more fully in community credit policy. There is more need of cooperation and confidence in one another today than ever before. Credit reports and the morale of our applicants for credit must be more carefully scrutinized. Valuable experience can be gained by contact with your brother credit man.

There is evidence that business conditions are steadily improving. There is no doubt that in a great many parts of the country more goods are being purchased. We should be proud that Retail Credit has come through this depression with flying colors. The credit executive and store owner must realize this was wholly due to adhering to the principles of sound credit policies as advocated by the N. R. C. A., our local associations and Credit Reporting Bureaus. We must continue the work of improving credit service by increased personal efficiency. Let us grant credit wisely—based on the ability of our customer to pay and—above all, *let's not sell credit terms*. Let us promote in every city and town a community credit policy.

Let us do everything we possibly can to get behind our good friend Leopold L. Meyer and his "Old Guard" Committee. Leopold has done some wonderful work and is still continuing to do so. The aims and objects of the "Old Guard" Committee should be thoroughly understood by every credit executive in the country and should be an inspiration to the "old guard" and to the younger credit executives. Credit classes should be fostered in every community.

A Directors' and Officers' meeting will be held in St. Louis, Missouri, at our National Headquarters, Saturday and Sunday, June 17, 18.

Department of Commerce Releases National Retail Credit Survey for Last Half 1932

By HORACE W. POTE

DESPITE evident difficulties the U. S. Department of Commerce has just released its sixth semi-annual survey of national retail credit which reveals credit conditions existing in 30 cities where 405 establishments did 509 millions in retail sales during the last half of 1932.

Although the statistics admit that credit suffered somewhat from the prolonged effects of the current economic mess, there are certain high-lights which, like a whiff of pleasant perfume, tend to quicken interests in thoughts of improvement.

Several prominent changes in the mode of credit purchasing took place in 1932. In the latter half Furniture installment sales rose from 61.4 per cent to 71.8 per cent, but at the expense of open account sales.

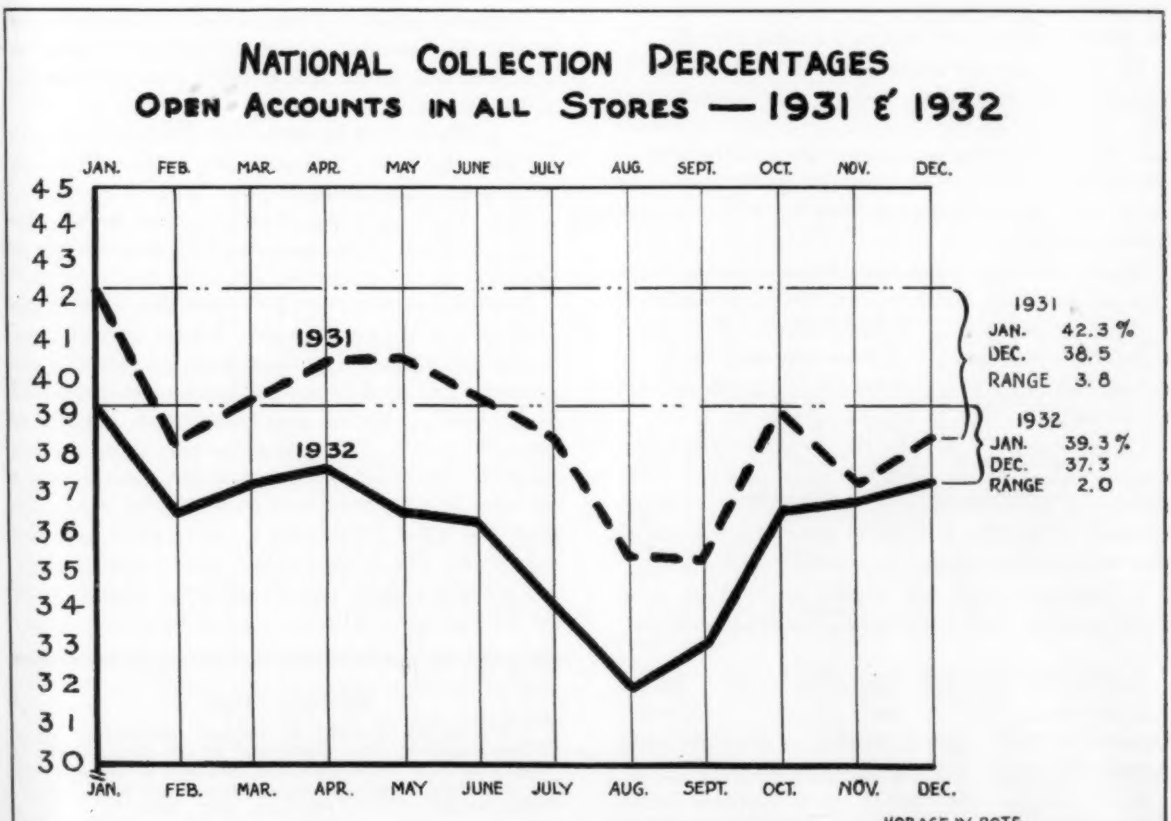
The same is true with Jewelry installment sales which expanded from 16.9 per cent to 24.9 per cent for the last semiannual period.

Electrical Appliance Stores, on the other hand, reported 14.5 per cent open account sales increasing to 23.0 per cent in the last half, chiefly at the expense of installment sales.

Open account collection percentages for 1932 were below 1931 figures but, as the accompanying chart depicts, a cheerful note exists in the rallying improvement noted in the last four months. As the year closed there was less difference between corresponding percentages for the two years than for the earlier months.

This indication of convalescence in collections can be read in the annual change of these percentages. 1931 opened with a reported 42.3 per cent, closed with 38.5 per cent, a difference of 3.8 per cent. For 1932 the opening was 39.3 per cent, the closing 37.3 per cent, and the annual difference 2.0 per cent, nearly half of that in the previous year.

The 1932 report also includes hitherto unpublished credit statistics for automobile accessory stores.



Business—Today—Wants Facts!

By NEWTON D. BARTLE

Secretary-Treasurer, Syracuse Credit Bureau, Inc., Syracuse, N. Y.

SOME of you who are here were hosts to, and others were present at, the National Retail Credit Association Convention when it was held in New York City seven or eight years ago. To me it was a memorable occasion, since, while it was not my first trip to that remarkable city, it did afford me the first opportunity to really see some of its high lights that I had not seen before.

I remember, among other things, a boat trip to Coney Island. On the boat I met a young chap who was also attending the convention. We engaged in conversation and among other things I asked him several questions about his home city.

To every question I asked he replied that "he thought" or "he guessed" but wasn't sure that he was right. He thought the population was so and so, he guessed that the credit bureau was merchant owned. To practically no question was he able to give a definite answer.

Up to a few days before the stock market crash of October, 1929, many of the leaders in American business life, those in whom we all placed the greatest confidence and who, I should by all means add, probably acted in all sincerity, told us that there was nothing to worry about, that business would continue on to greater and greater heights.

A collection of the hopeful predictions of leading statesmen and financiers—predictions which were promptly discredited by the facts—is published under the sarcastic title "Oh, Yeah?" and prefaced with the words of the immortal Figaro, the barber of Seville: "I hasten to laugh at everything for fear of being obliged to cry."

On October 25, 1929, Mr. Hoover said: "The fundamental business of the country, that is, production and distribution of commodities, is on a sound and prosperous basis." On May 1, 1930, he said: "I am convinced that we have now passed the worst."

In September, 1928, Mr. Mellon said: "There is no cause for worry. The high tide of prosperity will continue."

On October 25, 1929, Mr. Schwab said: "In my long association with the steel industry I have never known it to enjoy a greater stability or more promising outlook than it does today."

In the early part of October, 1929, Professor Irving Fisher said: "Stock prices have reached what looks like a permanently high plateau. I expect to see the stock market a good deal higher than it is today within a few months."

It would be superfluous to add citations. The contrast between the predictions and the subsequent events is grotesque.

Mr. Melvin A. Traylor, President of the First National Bank of Chicago, spoke a true word when he said: "Business leadership, had it read the barometer properly, should have noted the storm that was gathering and trimmed sail accordingly." *It should, but it didn't!*

You may ask what these statements have to do with what I am supposed to talk about. Only this, if we plan our affairs on hearsay, tips, what leaders in all walks of life think and not on a study of facts as they pertain to our own businesses, we shall in all probability make more wrong than right guesses.

I recently heard a well-known economist say that if business has been just around the corner ever since we have been told that it is, it certainly must have a police parking tag on it by this time.

D. J. Woodlock in his editorial in The CREDIT WORLD for December says: "It is surprising to know how many retailers are still granting credit by 'guess.'"

Also, "Only a merciful Providence, and the fact that most people are honest, keeps many of these retailers in business."

Recently a shining example of credit department guesswork came to light in Syracuse. It came in the form of a voluntary petition in bankruptcy on the part of a city employee. He owed twenty-one Syracuse retailers a total of $1,924.67. Of these twenty-one eleven belonged to the credit bureau. Of these eleven only three had ever called the bureau for a report—and that was a long time ago when he was paying fairly promptly—*but none of the three had asked for a revised report when extending more credit.* Due to the fact that he was a city employee and working steadily they all *guessed* that they would get their money.

Editor's Note:

This article is from an address delivered at the Tenth Annual Joint Conference of the Retail Credit Men of New York State and members of the Associated Retail Credit Bureaus of New York State, Inc., Schenectady, N. Y., February 19-21, 1933.

Had these twenty-one retailers based their decisions on facts instead of guesses, they would have saved themselves approximately $1,900 on an investment of $10 for credit reports.

There isn't a credit manager here and certainly not a bureau manager who doesn't realize the tremendous and tragic change in pay habits during the last three years.

It is far too dangerous to reopen an inactive account simply because a few years ago the account was a prompt paying one. It might be a good guess and then again it might be another one of those P. & L's.

Business, today, wants facts. Business not only wants facts, it must have facts in order to survive.

I don't want to go on record as saying that your credit bureau can always supply you all the facts you need in granting credit, nor do I wish to imply that while getting a report from your credit bureau the credit manager doesn't have to do any independent thinking. As I see it, the credit manager must render a decision from a study of the facts gathered by him from his applicant and from his credit bureau. The point I want to make is that he should be sure that his decision is rendered from facts and not guesswork.

I believe you will agree with me that your best source from which to gather these facts is your credit bureau. The day is past when you can tell an honest man by his handwriting or the size of his ears.

Facts are as essential to the credit manager in forming his decision as they are to any other department of business. They should be gathered from the laboratory of experience and other sources known for their reliability.

If the average credit manager were passing out cash in place of merchandise, I venture to say he would demand to know much more about his customer than he attempts to learn when it is merchandise and there is no need of attempting to prove that there is no difference between the money the bank loans and the merchandise that you sell.

I think, too, you will agree with me that had you and I and all the other good folks in these more or less United States based our decisions on facts that we could have gathered instead of doing our planning mostly on hunches, hearsay and tips, this depression would not have happened as soon as it did, nor lasted as long nor been so severe.

It is not too late, however. We are facing another year. It will be filled with much discouragement and many setbacks, nevertheless there should be a gradual improvement and I believe will be if we all get down to fundamentals in our thinking and planning.

In our own field of credit granting much can be done to improve this vital and important function. It should be remembered that while volume of business is important, volume at the sacrifice of profit is business suicide.

Insist that your credit bureaus present you with facts in their reports. Base your credit decision on facts instead of guesswork and 1933 should and probably will see the start of a new era in modern retailing.

Every credit executive and retailer would render himself and his business community a splendid service if he would take a more active interest in his bureau. It is the only authentic source of credit facts at your disposal. Work closely with it. Demand and see that you get from your bureau all available information about your prospective customers.

Normal prosperity can return to us only through the doors of the retail merchants of this country. A liberal credit policy tempered with reason—and with facts as the basis of your credit extensions—will hasten its return.

The Future of Retail Credit

By CHARLES J. MARTIN

Manager, Northeastern District Office, National Retail Credit Association, New York City

IN ACCORD with the piquant observation of the grammar school pupil "today will be yesterday, tomorrow," we consider the future merely a continuation of the present and the immediate past. What the future offers retail credit, or what "future" retail credit may develop for itself because of the opportunities available can be discussed academically by using past experience as the criterion but whether or not the knowledge so acquired will be applied technically to assure greatest benefit to the business interests retail credit serves must remain a question for day-by-day performance to answer.

With only a transient reference to the progressive growth in credit-granting stores of retail credit, including both open account and installment sales, from 20 per cent of retail volume in 1920 to 56 per cent in 1930 let us consider its modern history. Throughout the past two years when business was gory with red ink and many standards of measurement in other branches of commerce had to be telescoped to fit the scale of operations, it is true that retail credit volume sagged, to as much as 11 per cent below the former high in one of the six months' periods. Still, it was this form of credit that demonstrated greatest stability among all financing mediums of distribution and gave assurance that retailing could look to it with increased confidence as a source of sales promotion.

While retail credit was proving its economic validity during the recent difficult times the merchant and the credit manager were learning that many former practices, policies, and beliefs concerning credit administration needed revision and revamping. The security of retailing has come to rest increasingly upon the liquidity of accounts receivable, despite the conversion of some 9 per cent of sales to cash from credit classification since 1930, and as this responsibility has grown upon retail credit the importance of the credit department and of its proper functioning had to be recognized.

What did 1931 and 1932 teach the retailer and the credit manager? A principal lesson was the necessity of keeping informed regarding change in conditions which might have an effect upon the basic qualification for credit—character—and its more tangible accompanying requisite—ability to pay. The financial cause of the depression most frequently stated has been "frozen assets."

A sufficiently conspicuous frozen asset from a credit viewpoint has been that of character. Persons of former integrity, driven by adversity, have compromised with a moral sense of justice and sought the easiest way out of their predicaments.

In much of the modern literature of the day there is a scornful attitude toward the old-fashioned idea of the essential value of character. To an unfortunate degree there appears to be an effort toward eliminating from our vocabulary such words as conscience, obligation, responsibility and duty. We hear it declared with more heat than understanding that we have outlived these ideas but the credit manager knows, today, more than at any previous time in his recollection, that those who seek credit must recognize the fundamental distinction between right and wrong.

As a consequence of better knowledge of relative conditions on the part of the credit manager and retailer a community of interests has been developed between the credit department and those of its clientele deserving of full consideration when embarrassed by uncontrollable developments. Conversely, there has been less tolerance with those able to pay but inclined to delay settlement. That short profits and long terms do not go well together has been not only reaffirmed but taken seriously and the present practice is to get payment before the margin has disappeared.

In determining ability to pay—always an essential in credit worthiness—the credit manager and retailer have shown an improved disposition toward use of credit bureau service. This is a modern reversion to the original policy followed in the extension of credit to individuals. "Security" of the account, whether actual or assumed, was the basis upon which credit was granted in the days when credit was a privilege or, more correctly, when the privileged classes among patrons of a store were so accommodated.

Evidence of substantial worth, either in real property (this was previous to 1915), known financial resources or an income in the higher brackets, had to exist before the patron could be considered entitled to the convenience of a charge account. If the customer could not be considered as measuring up to that standard, the credit risk was insecure in the estimation of the retailer or credit manager and the service was not extended.

Today, when endeavoring to establish "security" for an account, the credit manager gets a report on the subject from the credit bureau to learn from past and present performance in paying bills—as well as from the information on file concerning income and normal expenses—whether or not the purchaser has the willing-

ness and the ability to pay for whatever merchandise or service he obtains from creditors. Experience has convinced an increasing number of retailers that although customers start out honest (close to 100 per cent) one of the best means of keeping them in that category is to know to what extent they have become indebted and whether or not they are good managers of their incomes.

The New York Credit Bureau made an examination of 300 reports out of a day's production recently and it was found that one out of four contained sufficient derogatory information to warrant refusal of credit. This illustration of the necessity of knowing as nearly as possible the capacity of the purchaser to handle the commitments he is willing to incur has its counterpart in practically every community.

Another lesson brought home to the individual retailer has been the advisability or the imperativeness of collaboration with others in reducing the abuses that have become prevalent in credit extension. In the years of inflation slight regard was paid to cooperative effort that would tend to restrict bad debt losses and other wastes that had become inherent in the system because of negligence.

Much progress has been made in curtailing pyramiding of accounts through reporting overdue obligations to the credit bureau and having this information immediately available to interested subscribers, through what is called a "watch service." Rechecking an account by an up-to-date clearance when an excessive amount of credit was sought or before collection action was taken were other practices adopted more generally.

A very interesting analysis undertaken by the Harrisburg (Pa.) Credit Bureau during the last three months, which is in line with the effort toward better credit control by retailers, has been to record the number of applicants for new credit who owed three or more past due accounts at the time of such application. For that period, 547 such purchasers sought new credit although each of them owed at least three accounts which were overdue. The past due balances were 2,329 in a total, representing merchandise delivered to the value of $196,202.66. That the retailers of Harrisburg will continue to use the bureau on new applications for credit seems most probable.

Returned goods, in the greatest proportion, are merchandise selections charged to account and a study of causes seemed to warrant campaigns in many cities toward elimination of abuse of the convenience. Credit departments were active in this effort.

Support of retailers has been enlisted for legislation of a beneficial nature and concerted opposition has been marshalled against detrimental proposals that would affect their interests. Bills introduced to abolish collection service and credit reporting service or that would hamper sufficient operation of these services at a reasonable cost to merchants have been among the latter group. The retailer has become more alert to the need of combating trends and outside influences that may affect his business adversely.

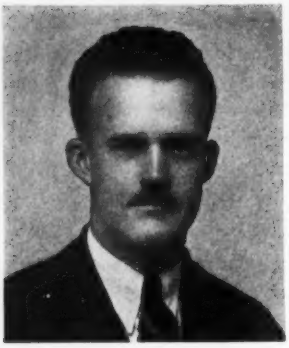
Probably the most valuable lesson or result of the past two years' experience has been the realization that the fifty-billion-dollar volume of retail business enjoyed in the gold rush of '29 must be revered as of hallowed memory and that profitable business in the immediate future will be the reward only of those who by study and exploration of trade possibilities have knowledge of the proper methods and proceed to apply them.

Stock-turn in Retail Businesses

Turns per Year

Kind of Business	Stock-turns per year
Auto Tires and Accessories	5.7
Books	3.0
China	2.5
Clothing (Men's)	2.2
Clothing (Women's)	6.0
Department Stores—Sales under $150,000	2.2
Department Stores—Sales $150,000-$300,000	2 5
Department Stores—Sales $300,000-$500,000	3.0
Department Stores—Sales $500,000-$750,000	3.5
Department Stores—Sales $750,000-$1,000,000	3.8
Department Stores—Sales $1,000,000-$2,000,000	3.6
Department Stores—Sales $2,000,000-$4,000,000	4.1
Department Stores—Sales $4,000,000-$10,000,000	4.5
Department Stores—Sales over $10,000,000	5.0
Drugs (Chain)	13.7
Drugs (Individual)	3.5
Dry Goods	3.0
Electrical Goods	5.8
Furniture	2.75
General Merchandise	4.5
Groceries—	
Cash and Carry	13.0
Food Markets	18.5
Service	11.5
Haberdashery	3.6
Hats (Men's and Boys')	6.0
Hardware	2.1
Jewelry	0.9
Leather Goods	3.0
Men's Wear	4.0
Meat (Individual)	70.3
Paint	4.0
Shoes	1.9
Specialty Stores	5.5
Stationery	2.7
Tobacco (Chain)	50.0
Tobacco (Individual)	5.0

—*"Better Retailing"*



Character Is an Asset— Today as Always

By J. A. BARNES

Manager Credit Department, National Commercial Bank & Trust Company, Albany, N. Y.

JUST what do we mean by character? Here is a good definition: Moral principles, business practices, and the estimate in which a company or an individual is held by the business world, constitute Character. We must include—in this definition of character—a willingness to pay, even though the payment may mean personal sacrifice and a lowering of living standards for a time (for a very brief time, let us hope).

Character is the very basis of confidence and what is credit but confidence—confidence that our customer will pay within a given period of time. Will you and I extend credit unless we feel that we can rely upon the promise of the customer to meet his obligation? Is that not relying upon character?

There are those who tell us that character is being undermined, becoming a thing of the past, that the individual is questioning the necessity of meeting his obligations because nations are pressing for cancellation of debts, because moratoriums are becoming fashionable, because bankruptcies are increasing. Let's not waste our time listening to these rantings against the good faith of the American people.

The rank and file of us are not going to quit just because in isolated cases there have been repudiations of debts. The great body of American citizens will continue to have that pride in the performance of their obligations which will never permit them to begin wholesale repudiation of their own just debts. Our whole business structure has been built upon the foundation of character and character will continue to withstand the shocks and blows that have resulted from our present situation.

Do not get the impression that a general statement regarding character such as I have just made, will apply in each individual case. Nothing could be farther from the truth. It is unfortunate that all of the customers with whom we have contacts are not imbued with the same high ideals and the same regard for their reputation in the community, but these facts exist and must be reckoned with. Each case that comes before us must be examined carefully, and the character element determined.

Past experience cannot be given too much weight because we all can recall instances where the stresses and strains of the present situation have altered the habits and ideas of certain individuals. But, by and large, in the majority of cases, the character element has not changed and is still one of the important factors to be considered in granting credit.

The character element gets more emphasis from you men who are engaged in retail credit work than it does from bank credit men, due to the fact that it has not become the custom in retail credit to ask the customer for a financial statement and operating figures. Banks obtain this information, as a matter of course, due to a process of education that has been carried on for some time.

I would like to suggest that this information regarding a customer's financial condition is exceedingly valuable at this time. A customer may seek credit and promise in good faith that he will pay within a reasonable length of time. But very often he makes this promise of payment without accurate knowledge of just how much he owes. He has not taken the time and trouble to figure out the total of his bills payable. Nor has he considered the total of his bills against his available income out of which those bills must be paid.

In other words, the average customer does not have a budget. (Many of our customers are not even familiar with the term.) By talking with a customer in regard to his finances and jotting down a few figures you credit men can very often discover that it would be unwise to grant him credit.

Then in a pleasant way you can point out why you have had to refuse credit. In this way it may be possible to prevent a customer from becoming hopelessly involved, thereby saving an account for your company. Of course, you may lose that customer, but you have at least kept a poor receivable off the books.

An experience came to my attention a short time ago that serves to illustrate the point I have just tried to make. (I ask your pardon for bringing in the personal element.) In the early part of 1932 a customer came in for a loan. After going over his statement, the bank

Editor's Note:

This article is from an address delivered at the Tenth Annual Joint Conference of the Retail Credit Men of New York State and members of the Associated Retail Credit Bureaus of New York State, Inc., Schenectady, N. Y., February 19-21, 1933.

decided not to grant the loan and I explained to the customer why the credit was refused. He appeared to be disappointed and rather sore. I had visions of the account leaving us. *But it did not leave.*

Last month that same customer came in again. Yes, he was looking for another loan. But during the course of our conversation he told me that he figured the bank had been right in refusing his former request for a loan. He had had difficulty in getting along without it but had managed to pull through, surprising himself by doing it. Is the point clear? You and I will not lose *every* account where credit is refused, if we are right and take pains to have the customer see our position.

So much emphasis is being placed upon financial statements these days, one might be led to believe that, when the customer's statement is at hand, one's worries are over and additional information is unnecessary. You and I cannot allow ourselves to be satisfied just because we have a balance sheet that shows an apparently liquid condition. We must look *behind those figures* to make certain that the *character element* is also satisfactory.

If the statement has been prepared by a C. P. A., then we should make certain that the accountant is reputable and in good standing in his profession. If there has not been an outside audit, then we must ascertain that the character of the customer is such that we can rely upon the figures which he submits. Again we find that character is an important factor in estimating a credit risk.

There is another "C" in credit that is important, namely, capacity, or ability. A customer's ability to operate his business successfully, and show a profit, makes him a more desirable credit risk. This is a self-evident fact, but the character element again enters the picture. Unless we feel assured that earnings, if any, will go into legitimate channels, then the ability to earn a profit means little.

A case to the point came to my attention recently in connection with the Dec. 31, 1932, financial statement of one of our accounts. The business was operated at a profit in 1932. (Yes, the company showed a moderate five-figure profit last year.) This was due in no small degree to capable management.

But—instead of retaining all of those earnings in the business as should have been done in view of the heavy indebtedness—over half of these earnings were paid out to stockholders in the form of dividends. This was a questionable policy and the credit standing of the firm was not greatly improved by the fact that they earned money because those earnings did not go into legitimate channels, i.e., the earnings were not used to reduce indebtedness. Once again we find that character is an important factor in estimating a credit risk.

When a customer gets into difficulties and is unable to meet his obligations, the first thing we determine in deciding whether or not to carry on with the account is the character of the individual with whom we are dealing. If we are to carry the customer along for a time, it is absolutely essential for us to have confidence that he will be honest in his efforts to work out of his trouble. We must feel confident that he will not try to grasp everything for himself and leave us "holding the bag."

Then, with *good* character established, we can proceed to examine the other important factors on which our decision must be based, viz.: the true financial condition, the ability of the individual under present strained conditions, and the possibilities in his particular line of business. Time is lacking to deal with these other factors, but the point I wish to put across is, unless the customer has unquestioned character, it is a waste of time and effort to consider these other factors.

My talk this morning has been influenced by the fact that I am a banker and not a retail credit man. My reactions to the problems which confront you may differ from yours for that reason. But I want to leave you with the thought that character is an important basic element in the granting of credit. True, it is only one element, but it has a strong influence upon the other factors that enter into a credit decision.

In closing, I want to stress the importance of retail credit. The responsibilities placed upon your shoulders are not to be considered lightly. If the retailer is unwise in the granting of credit, he will become slow in meeting his obligations. This, in turn, affects first the wholesaler, and then the manufacturer, so that the weakness finally spreads through the entire business structure. You retail credit men occupy a tremendously important place in the business world today.

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"We Guarantee to Collect"

(*Continued from page* 13.)

NOTE: The company could, thereby, make a payment of one dollar on each account, get back forty cents of it, and retain all accounts indefinitely. Be careful to note if contract contains an assignment of accounts to it as some agencies do and claim them. (*Not in this one, but some such contracts contain an assignment clause. Beware of them.*)

8. Should client desire all unpaid accounts returned *at expiration of contract,* guaranty company will require payment to it of a fee of 25 per cent on all such (unpaid) accounts before returning them.

"Bat-tal-leons-at-ten-shun!" commented Stone, like a battalion Major, but did not hear the reply of Tarr.

9. * * * "and the 'client' is to furnish such information and cooperation as will aid the 'company' in carrying out its contracts."

NOTE: *"Its* contracts?"

"Its contracts": at that rate, I would *have to help it collect the accounts of my competitors* if the "company" demanded it.

"Man overboard," murmured Stone, looking smilingly at Tarr, and ready to listen.

"Let me explain some of these notes," answered Tarr. "In the first place—"

"Where is the paragraph that mentions when your company makes remittances?" asked Stone.

"Say, Stone, we are not Captain Kidd. We're a big, high-class business house. It would certainly take a credit man to ask a damfule question like that. Now, we—" said Tarr.

"Thanks for the 'gangplank' compliment, but proceed," laughed Stone.

"We assume that everybody knows remittances are made in the ordinary routine of good business procedure." Tarr spoke in a clear, decisive tone.

"Yes, Mr. Tarr, that is assumed; but in the case of a guaranty company that came to my attention not long ago, the assumption was wrong. The company decided to retain all payments made to it until the expiration of the contract: then defaulted. The lawyers of the 'client' say they cannot prevent that action. You know, smart lawyers draw up those contracts for you collection agencies. In the interim that company is demanding and receiving monthly its 30 per cent collection fee on payments made to its 'client.' I know of other guaranty companies that have failed or gone into bankruptcy and which did not pay to their clients what they had collected for them. Their officers organize a new company, change executive titles, and the 'game' goes on to the detriment of the 'clients.' "

Stone continued, "I don't like an argument and know that you can give one, but I can mention three good, old, reliable collection agencies, *also the Credit Bureau* in our town, who would be glad to have an 'advance fee' contract with us or with anyone. I do not believe in them and will not sign such contracts. I say this with all due respect for Mr. Maxey and admiration for you. Let me show you our own collection system after which we shall go to lunch when you can tell me about the navy. I was told the other day that all the admirals are going on retired pay or are taking to the air; and that the navy now consists of one rowboat and a broken oar."

"Not quite that bad," answered Tarr.

Tarr inspected the credit department for some time, and prepared to leave.

"It's a good department," he said, "but it would be better if you used our collection service on your Profit and Loss accounts. I can't eat with you today, Stone, but will see you on my next trip here. I expect to see Maxey and your head men in New York next week and they will undoubtedly write you about us. From long distances, old Loss accounts are enticing to the 'head men' because they regard them as great collection possibilities; every dollar collected on them is clear profit; and 'every dollar should be collected.' You know what I mean; and don't forget that 'we guarantee to collect' most of them."

The credit man complimented his visitor on understanding the mental intrigues that would place any 'prospect' in a peculiar situation.

"If a man doesn't buy your service, Mr. Tarr," said Stone, "you adroitly lead him to believe that he overestimates his own capabilities; and that you also understand them in the light of that inflated definition. If you do sign him, you give him the impression that he has done a clever thing and won your great admiration. It would not surprise me if you would not only sign up our 'head men' in the office in New York but that they would take you out to lunch and pay you a bonus for going. As for me, well, I'm used to criticism. One of my ancestors was Scotch-Irish so I guess that may account for my notion that it should not be necessary to pay several hundred dollars in advance as a contractual agreement; even though the intent seems to be that part of it is problematically returnable in case $1,000 is not collected."

Tarr told a clever joke on a credit man and left smilingly, saying, "See you again, soon."

Stone reached down to the floor and retrieved a letter that had fallen there.

"Well, well, this is the letter that Tarr said brought in 75 per cent collection returns."

Stone rang for his stenographer and had the letter returned to Tarr. A copy was made and attached to the carbon copy.

Ten days later, Stone received from the New York office a copy of a signed contract. He laughed heartily.

He called his collection men for conference and explained the contract carefully. He gave each man fifty copies of the "75 per cent" letter and instructed them to

send it to certain debtors, for in two weeks seventy-five accounts must be ready for placement with the "we guarantee to collect" corporation.

The requirements he outlined for the accounts were as follows:

Each account should have been returned as uncollectible by the store collection attorney and also by the Credit Bureau or at least one other agency.

It must not be owing by a bankrupt.

It must not be outlawed.

It must be one on which no payment had been made within one year.

The address must be verified as being correct.

It must not be in dispute or in adjustment.

It must be a legitimate claim.

"It" must not have answered the "75 per cent" letter.

The credit man also issued orders that one hundred additional accounts should be prepared as "replacements" and be ready in three weeks; and another hundred in the week following.

"We must cooperate in a broad way," he said to the collection men. "We will be dealing with this outfit for a long time so let the beginning be propitiously commendatory. Youth must have its experiences. That salesman knows 'head' men. In three months that outfit will be yelling for a better class of accounts. Remember that the reporting agencies report this company as being reliable; they are all right for awhile: but watch your step.

"Every letter from it is to be referred to me as soon as received because I'm going to be 'up against' many reports to our New York office. This salesman, 'Jack Tarr,' is a smart 'sea gull' and expects cooperation. Let's give it to him; but when you men get out in the big world where your signature counts, take it from me and don't sign any 'we guarantee to collect' contracts."

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Restoration of Two-Cent Postage Probably Will Apply Only to Local Mail

This month's Washington Bulletin brings the news of a bill pending in Congress to reduce the first-class postage rate to 2c per ounce *on mail matter for local* delivery. A growing opposition is demanding that the reduction be made applicable to all first-class mail, regardless of destination.

Retailers in many large cities claim the expense of separating their lists of local customers from out-of-town customers will more than offset the local reduction.

Today's Credit and Collection Problems

By H. O. WRENN

Credit Manager, Nebraska Clothing Co., Omaha, Neb.

AS EVERYONE well knows, credits and collections are much more difficult to cope with today than they have been for many, many years. Personally, I have handled credits for some twenty-eight years and am frank to say that at times today it is very puzzling to know just what to do for the best of everyone concerned.

There is no question but that 99 per cent of the people are absolutely honest—with every intention to pay their honest obligations if they have the money. Unfortunately, the employment situation is very serious and people cannot be blamed for conditions in which they unwillingly find themselves. There are of course exceptions—persons who have overloaded themselves with debts due to overbuying and the purchasing of articles on the installment plan.

These debts incurred prior to present conditions, naturally have to be worked out in the best way possible and the matter evolves itself to a great extent upon the credit man who must work with these people in a reasonable manner. There is every indication that conditions will improve and we must maintain as much as possible the good will of past good customers in order to again enjoy their patronage in the future when their buying and earning power has been restored.

In doing this, each individual case must be analyzed carefully by the credit man with the realization that credits cannot be handled today as they were in the past —that is, in cases where the firm has done business on a strictly thirty-day basis and where reports received from the local credit bureau showed an account had been handled on a thirty-, sixty-, or even ninety-day basis.

For these same ratings today will naturally run considerably longer and one must take into consideration whether the party concerned has been out of employment or whether he has had to help any other members of his family during this period. Customers who realize the necessity of calling to see the credit man when unable to pay their accounts, in this way showing their sincerity and explaining their inability to pay, are of course, the ones who should be and are given the most consideration.

Credit departments in handling accounts should check each account through the local credit bureau and where an account has been closed or has not been used for a considerable length of time, upon application of renewal such an account should be rechecked through the credit bureau due to the changing paying habits and conditions of the people as a whole. Local credit bureaus should, in turn, cooperate more closely with the National Association. There are persons everywhere ever willing to defraud merchants, but where a credit bureau has this information it should forward such information to the bureau in the town or city where such a party has located.

Most firms have customers who have traded with them for many years—customers who have been considered good pay. During times like these when so many accounts have fallen in arrears and then a most diligent effort is being made to collect as much money as possible through letters, many of these customers take offense, stating they have traded with the concern for years and should not be "dunned."

Under these conditions the credit man must be exceptionally careful but nevertheless must keep in mind that it is necessary to receive money on accounts receivable, and the task becomes doubly trying. In the case of banks, they positively work together. If you borrow money from a bank, it doesn't wait thirty or sixty days after a note is due, but notifies you at least a week in advance of the due date and you don't take offense at this because you know it is the rule.

Retail merchants should work on the same basis. When an account becomes due the merchant has every right to ask for his money without feeling he has insulted the customer. Any retail merchant is the same as a banker—if you see him and give a good reason for not paying, he is only too glad to cooperate with you.

I recently heard a noted speaker say that America has everything—more than all the other countries combined, and there was no reason why we should not get back on our feet again. With the new administration going ahead, I have confidence that business conditions will improve, possibly slowly, but nevertheless we must not lose hope and should endeavor to gain as much as possible confidence and faith in the future. This cannot help but result in the return of more normal conditions with an increase in both earning and buying power.

Just the week this was written a very prominent business firm opened a new department store in our city employing some three hundred people. This is a very good indication and shows that this particular firm has confidence in the return of good times.

At the present our local credit association is holding credit classes in the bureau's offices. These are held once a week and deal with Credit Department Salesmanship,

(*Continued on page* 31.)

Credit Morale—1933

Now is the time for all good credit men and women to come to the aid of the people—and themselves.

"And how?" Sez you!

By taking stock of yourself first.

Has your brain become fatigued, your hair gray, your face wrinkled, your shoulders stooped—as a result of the mental and physical strain of the past three years?

Yeah, sez you!!

Well, then, what are you going to do about it?

First: Quit worrying—you didn't cause this depression. Take some interest in outside activities. Don't talk "shop" after hours.

Second: Dress up—it'll give you a new lease on life. You always feel better when you look your best. Get your hair cut, your shoes shined, a manicure, a facial, and put on a smile—one that means something.

Third: Get your own house in order, pay up your bills, put some enthusiasm in your coworkers, brighten up the old department, get a new lease on life and quit feeling sorry for yourself. After all, you have only three things to do—open new accounts, collect all past due accounts and operate your department on a profitable basis. That last little thing might require a lot of time and thought, but that's all right—give the old brain a little exercise, maybe it needs it.

The position of "Credit Man" is the most interesting occupation I know of—a study of human beings. Human beings and their actions and reactions make this a livable world. You have an opportunity to meet and study new people every day. You can learn something from these people, and often you can help them. And, last but not least, cooperate fully with your fellow-credit men and local bureau!

—MARION A. LELEU, *Credit Mgr.,*
The Brown-Dunkin Company,
Tulsa, Oklahoma.

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Hats Off to Colonel Bob!

Who is this fellow full of pep,
And most contagious laugh;
Who's just been made a Colonel,
On our Texas Governor's staff?

This fellow who works anywhere,
And stands the hardest test;
Who's counted most dependable,
By those who know him best?

Well, folks, his name is Robert Stern,
A Dallas credit man;
Yes, credit man and colonel,
Just match him if you can.

That he'll make good, there's not a doubt—
Do honor to the job,
Attention! All together now;
Hats off to Colonel Bob.

—W. S. GENARO
Secretary-Manager, Retail Merchants' Association, Mineral Wells, Texas.

WASHINGTON BULLETIN

R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

FOREWORD

THIS session of Congress might properly be denominated a special session extraordinary. It has passed a number of measures dealing with the emergency—economy, banking, inflation, postal and others—and in each of these measures has granted to the President power never heretofore granted to a President in peace time and much of it never granted to a President in time of war.

The why and the wherefore of this surrender of power by Congress, has been laid by many to the cracking of the patronage whip but perhaps Senator Glass supplied the real answer in his speech of April 27th, on inflation when he said that President Roosevelt "has exhibited unparalleled courage in trying to bring the Government within its budgetary requirements."

Congress has lacked the courage or the will to do certain absolutely necessary things. The Executive has been willing to assume the responsibility and the contrast has brought to his support public opinion. *That is the real answer!*

Legislative

(a) Credit men are interested in two phases of the Glass banking reform bill, guarantee of bank deposits and branch banking. If a banking reform bill is to be passed at this session (and until the interjection of the inflation issue in the week of April 24, it appeared reasonably certain that such a bill would pass), then it is thought by those in a position to know that these two features will appear in the bill as finally enacted.

The branch banking feature only seeks to permit national banks to have state-wide branches where state laws permit state banks to have such branches. In other words, the bill will not force branch banking on those states which by failure to enact legislation permitting state-wide branch banking have shown their opposition to that system but on the other hand will permit those states that have shown a wish for it through the enactment of suitable legislation to place state and national banks on a parity so far as branches are concerned.

Whatever form the guarantee of deposits takes, and it is pretty apt to take the form of an insurance feature, it will be of great service to retail credit granters, since such guarantee will undoubtedly be in the bill at least so far as small depositors are concerned.

(b) On April 20, the House of Representatives passed the Doughton bill, *H. R. 5040,* and by the time this bulletin appears in print the Senate Finance Committee will have probably reported out the measure to the Senate. The bill extends the gasoline tax for one year and is also of far-reaching effect as it pertains to postal rates on all classes of mail matter.

It reduces first-class mail from 3c to 2c where such matter is mailed for local delivery but it also accords the President power to modify this and other postal rates except that he has not the power to reduce the 2c rate on first-class mail below 2c and the exercise of this power is limited to June 30, 1934.

Opposition to the bill has stressed two points, namely, that the decrease to 2c on first-class mail matter should be a general decrease and not limited to local delivery and that Congress should not give the President power to revise postal rates but should retain and exercise that power.

(c) Other than hearings before the House Judiciary Committee on the McLeod and Wilcox bills, authorizing municipalities to go into bankruptcy, that Committee has not held any hearings on other bankruptcy amendatory bills. There has been a movement, however, for investigation by the Committee of bankruptcy conditions in New York and Chicago and it is entirely possible that the request for these investigations may result in giving the House Judiciary Committee power to conduct not only these investigations but also a general investigation into bankruptcy, if it is so minded.

While the special session of the Seventy-Third Congress will adjourn without a general bankruptcy revision bill being enacted, still the groundwork is being laid both in the Department of Justice and in Congress for a real approach to this subject in the December session of the Seventy-Third Congress. That is a long session and should witness the enactment of the general revision bankruptcy bill.

Departmental

(a) Statistics are being received in Washington showing more than a 10 per cent decrease in 1932 over motor vehicles in operation in 1929. The decrease of passenger automobiles, including taxis and buses, was in the same ratio as trucks and tractors but in some states decreases were hardly noticeable, particularly so in the cases of New York and California.

(b) In its fourteenth report to the Senate on chain stores, the Federal Trade Commission has drawn one conclusion that may occasion some surprise. It has been thought by many that the manufacturing end of a chain is the most profitable department of the industry but the Commission draws the conclusion that "the manufacturing activity of chains has produced no marked and unmistakable improvement in their rate of earnings on investment."

The largest number of manufacturing chains, the Commission has found, are drugs, confectionery, men's ready-to-wear, men's and women's shoes, grocery and meat, and grocery. While the Commission's report does not specifically indicate the advantage of private brands in chain

store sales of merchandise, still the report does point out that "approximately 80 per cent of the manufacturing chains report that they own private brands for the sale of their merchandise, while only 20 per cent of the non-manufacturing chains own such brands." Out of seventy-six manufacturing chains, forty-three reported that a better quality is obtained through the manufacture of merchandise with private brands and this would seem to accord with a generally accepted feeling that featuring the sale of high quality merchandise through intensive advertising is stimulating certain forms of chain-store sales.

(c) A study released April 20 by the U. S. Department of Commerce entitled *"The Location Structure of Retail Trade,"* reveals that retail trade in a metropolitan center, as exemplified in Baltimore, the city selected for the study, tends to be segregated into distinct forms of retail developments, namely, central shopping district, subcenters, string streets, neighborhood groups, and the "not-concentrated" locations, indicating that city structure plays an important part in retail location.

The central shopping district, comprising 0.14 square mile, making a shopping appeal to the entire city and the surrounding trade area, has a negligible resident population, accounts for 6.1 per cent of the city's retail business, and average annual sales per store are $143,190. The controlling factors in determining the shopping limits of communities are population (density and racial segregation), transportation, income and topography.

The problem of store location has always been considered one of basic importance in merchandising, but little factual evidence on influence governing successful location has been developed. Factors of great importance such as accessibility, buying habits, and purchasing power are now believed within reach through the medium of the retail statistics of the Census of Distribution, the rental statistics of the Census of Population, and other data. The material obtained in these surveys has made possible the above study and similar ones are being made in St. Louis and Pittsburgh.

(d) The Sixth Semi-annual Retail Credit Survey report was released May 6. This survey was conducted jointly by the U. S. Department of Commerce and the National Retail Credit Association. Copies may be secured from the Superintendent of Documents, Washington, D. C., at a price of five cents per copy.

(e) A study entitled, "Causes of Bankruptcy Among Consumers," which covers a complete analysis of 266 wage-earner bankrupts, was released April 29th by the U. S. Department of Commerce. An article appears elsewhere in this issue by the writer covering the salient points of this report. Copies may be secured from the Superintendent of Documents, Government Printing Office, Washington, D. C., at a price of five cents per copy.

Court Decisions

(a) Effective April 24th, the Supreme Court has revised a number of the general orders in bankruptcy and has added three additional rules. The additional rules relate to sections 74, 75 and 77 of the amendatory Act of March 3, 1933.

One of the changes in the general orders provides that the referee must submit an account every six months, to the District Court in which district his office is located, of the cases pending in his office and copies of this report are to be sent to the Attorney General. Another amendment to the general orders will make it necessary for attorneys, receivers, and trustees to file a detailed statement of their services and expenses and the amount that they claim as compensation. The petition must be heard at a meeting of creditors who must be notified of the amount of the compensation or reimbursement for expenses asked.

Information coming to Washington is that section 74 of the Act, relating to compositions and extensions for individuals, is becoming increasingly used but that section 75, pertaining to farmers, is not quite so generally being used.

(b) The United States Circuit Court of Appeals for the Second Circuit on March 20th, in re *Utrecht Coal Company, Inc., bankrupt,* handed down a decision defining insolvency which may have some bearing on the emergency Act of March 3, 1933. It will be noted that under that Act, a person can file a petition even though he be not insolvent by stating that he is "unable to meet his debts as they mature, and that he desires to effect a composition or extension of time to pay his debts."

In the decision mentioned, the Circuit Court of Appeals takes the ground that while a debtor may not be able to pay his debts as they mature that is not the determining factor of insolvency in bankruptcy. In the instant case, the coal company apparently had total assets in excess of its liabilities but did not have current assets with which to pay current liabilities at a given time.

The relation between this decision and the new amendment is the bearing that it may have upon whether or not the latter might be held to be unconstitutional in the event that the power of Congress to enact bankruptcy laws under Section VIII, Clause IV, might be held to be limited to actual insolvency and not a mere inability to pay at a given time.

(c) Most of our Federal tax laws have permitted and do permit deductions for the ordinary and necessary expenses of carrying on the taxpayer's business. In *Doggett v. Burnet, Com'r. Internal Revenue,* the Board of Tax Appeals decided such deductions could not be made unless there appeared a reasonable prospect that the business would be profitable but the Court of Appeals of the District of Columbia on April 10, overruled the decision of the B. T. A. and applied a more reasonable ruling in the following language:

"We think a better test to be applied here is whether or not that person engaged in a legitimate enterprise shows a willingness to invest time and capital on the future outcome of the enterprise, whether it be successful or unsuccessful."

Many people have side lines or adjuncts to their regular businesses or avocations which come close to the dividing line as to being a business carried on for profit or an enterprise engaged in for pleasure or amusement; hence the importance of this decision.

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New England Will Hold Conference

The New England Retail Credit Granters will hold their 12th annual conference on May 22, 23, at Swampscott, Massachusetts. Prominent merchants, economists, bankers, lawyers and credit managers—an imposing array—have been selected as speakers and the program promises to be exceptionally interesting.

It is expected that members of the National Retail Credit Association from New York, Pennsylvania and other states adjoining the New England district will attend. Arrangements are being directed by F. R. Cooksey, President of Lynn Retail Credit Association, Lynn, Massachusetts. The sessions will be held at the New Ocean House.

Organized Credit Control

By L. S. GILBERT

Manager, The Credit Service Exchange, Atlanta, Ga.

Extracts from a Recent Address Before the Personal Finance Group of Atlanta

IN EVERY town of a few thousand population, certainly in every town large enough to support a Personal Finance Company, in the whole United States, there is now an organized credit association or bureau, handling the credit records of its inhabitants and working toward the betterment of credit conditions, or, in other words, *Credit Control.*

It is unnecessary to dwell with you upon the magnitude of consumer credit. You are thoroughly familiar with its various ramifications, but I would like to point out to you the very important part you play now, and will in the future, in an organized attempt to serve the individual, not necessarily by giving him what he wants, but by giving him only what he needs and can pay for. That is service to humanity and is credit control.

You well remember conditions in your industry locally ten years ago. Applicants making requests for loans denied having present unpaid balances. They denied having previous experience with others in the group which investigation disclosed was unsatisfactory. In their zeal for obtaining more money, they did not consider the impossibility of repayment, or if they did, they did not consider it their responsibility. Double-ups resulted, in some cases running into thousands of dollars, and, in most cases, resulting in charge-offs after costly collection effort.

You did the sensible and only thing. You got together, formed an association, made rules to apply to your group, and, most important, established a central clearance bureau. You placed in the bureau your unsatisfactory and current accounts, and thereafter you cleared every application through the bureau to catch the unsatisfactory experience with the other fellow and the unpaid balance on a present loan.

The result, as I know it, has been highly satisfactory. Your loans are made with full knowledge of the other fellow's experience and with the satisfaction of knowing that your loan is the only one or that your borrower is capable of handling other loans if they exist.

You have accomplished locally and in a small group what is desired nationally by all creditors. Now you must extend your operations beyond your group and help to apply the same principles in the extension of credit generally. If money were the only commodity obtained on credit, you would have mastered the situation, but, instead of being the only one, it is generally the last one. Your applicant comes to you in distress, having loaded up beyond his ability to pay, and expects by a wave of your magic wand to be cleared of all worry and embarrassment forever.

Who is there in better position to supply the restraining hand than you, who constitute the court of last resort. Other creditors may have been unwise; the customer may have been foolish, but it is not for you to add to the general muddle by piling on to the overload. Rather is it your province to help with the unloading. A loan wisely made, that will clear up the situation and put the individual on his feet, is not only advisable, it is commendable; but a loan unwisely made that only adds to the already impossible burden has no justification in a moral or a commercial sense.

What is the theory of Credit Control? An individual has a certain fixed income. With this amount he must maintain himself and dependents. If we had no credit system, it would be a simple matter, because he could only spend what he had in his pocket and then must necessarily wait to spend more until he could replenish the supply. But with credit, the situation is vastly different. With his known source of income, his good reputation, and his ability to continue earning, he is adjudged a satisfactory credit risk and is sold his requirements on his promise to pay.

There is no criticism with the first seller, providing he dealt ethically, but generally the individual doesn't stop there. He goes to the second, and the third, and maybe the fourth and fifth, and so far mortgages his future income that all his indebtedness is placed in jeopardy.

It is presumed that the second, third, fourth, and fifth seller had the same right to sell as did the first, and they did, provided they knew at the time of the transaction that the individual was capable of fulfilling the contract. And if they sold on such knowledge and assurance, what must be their attitude toward the subsequent seller who passed the boundary of reason and prudence; who either sold without knowledge or deliberately oversold knowing the chances were against all creditors recovering in full.

Credit Control would operate against overselling by showing, first: the limit of the ability of the individual to buy and pay, and second: the extent to which he had already made commitments. Such a system, obviously, revolves around central control, and, since it is not in the nature of things for one institution or person to say "thou shalt or thou shalt not," it must substitute a sys-

tem of complete information with responsibility resting upon the last one approached to maintain the balance between income and outgo.

The Credit Bureau, by virtue of its peculiar set-up, is in position to show the buying capacity, and through proper cooperation of its members, the commitments made against that capacity. The ideal working plan is for the Bureau to have a record of all accounts carried by every individual in the community. With this source of information, it is possible to check up at any time to ascertain the extent of present indebtedness and manner of payment—thus showing present financial condition of the customer and the advisability of further credit extension.

Having made such a check and having received another inquiry from a prospective creditor, the Bureau would be in position to say, "Your applicant is already committed to his full capacity; additional credit would jeopardize his entire structure." It would then be the responsibility of the inquiring member to refuse the credit extension, or, if the situation were desperate, to help the applicant work out his problems in such a way as to relieve the strain.

It is true that not all creditors placed in this position would accept the responsibility. The desire for additional business would overrule the dictation of common sense, and the transaction would be carried on. But such a one would not long retain the good will and respect of his fellows, and, if he continued to ruin for them what had been good accounts, he would probably entertain a committee which would outline in no uncertain terms the course of action to be followed in the future. There are ethics in business. There are also those who ignore them, but they travel a rough and lonesome road. The "Lone Wolf" may be an admirable character in fiction, but in reality he receives little acclaim.

How would such a plan affect this industry? A large part of them, not all, are already following the general principles; to the other part, it would mean a closer investigation of applicants and a stiffening of the spinal column. I have been told more than once by men in this business that too close investigation resulted in refusing to make good loans and that their managers were instructed to consider only loan information in appraising their applicants. I can see, readily enough, how a complete investigation would result in refusing to make a loan, but not a good loan.

How can a good loan result if investigation shows the applicant is incapable of carrying it? Through a stringent collection policy or through some particular influence over the customer, it may be paid out, but during the process what has happened to his other obligations that were, in reality, prior claims? No, my friends, the Personal Loan business is an installment credit business, like many others, and the same business principles apply. Your responsibility is to see that they are applied.

In this matter of Credit Control, all must take part. It is "The everlasting teamwork of every bloomin' soul."

You have done an excellent job in paying out delinquent balances with some of the merchants, and they appreciate it. Every such transaction makes a friend. It was this, as much as anything else, that started the friendly relations now existing between your group and the retailers.

Why not build on up from there? Show by the conduct of your business that you are working with them for the betterment of credit conditions, that practices considered substandard by them are not tolerated by you. The Credit Association and the Credit Bureau constitute the hub about which revolves the wheel of consumer credit. Get yourselves a spoke in that wheel. You perform a necessary function in the economic life of the community; be proud of it, make the most of it.

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One-Fifth of Physicians' and Dentists' Incomes Lost to "Dead Beats"!

(*Continued from page* 11.)

about a person's capacity to pay as well as his paying habits before professional services are rendered.

To meet this new need for credit information most retail merchants associations and credit bureaus in Texas, as well as the United States, have established a separate doctors' and dentists' bureau. One doctors' bureau in Texas operates 24 hours of the day and its services include:

(1) Credit information on patients
(2) Taking calls from patients for the doctors
(3) Locating the doctor for patients
(4) Furnishing doctors with information regarding the location of streets and how to get to them.

The doctors and dentists whom I have interviewed regarding the value of doctors' and dentists' bureaus state that they have found the services to be invaluable. They state that they have been clearing their patients through the bureau with profitable results and would highly recommend to any doctor or dentist that he look into its advantages immediately.

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Today's Credit and Collection Problems

(*Continued from page* 26.)

with lectures furnished by the National Retail Credit Association. This cannot help but mean a great deal to our profession.

There appeared in the November, 1932, issue of *Liberty* an article entitled "The Art of Owing Money." This was written by a credit manager of a large establishment and to my mind would be a wonderful article for the buying public of the United States to read as it would naturally have a bearing on the way people could be expected to be treated by the credit departments over the country provided the persons themselves did their part.

As stated before, I believe that present conditions are going to work out to the benefit of all of us in that the experience we have gained will more than offset the hardships we have encountered.

Short-Time Accounts Make Long Friends

(*Continued from page* 4.)

bad, when paying believes something is improperly billed, and in the adjustment, even though she may be proved wrong, a certain amount of resentment is built up in her mind. Many such accounts are lost, traceable to long extensions.

I have considered the friendly feeling customers have for your firm induced and sharpened by short terms, but an angle seldom considered in discussions of this subject is the resentment or loss of friendly feeling *your firm* may have toward the long-term accounts, which loss in the final analysis may prove to be of your own making.

Only when the retailer receives payment from his customers can he liquidate his indebtedness to the wholesaler or manufacturer, and then only can the wholesaler or manufacturer repay his bank. Thus,, upon short-term accounts depends, in a large degree, the soundness of the entire credit structure. Can the retailer be friendly to his long-time customers if the manufacturer shuts off his credit, or if his bank refuses a loan because too great a proportion of his working capital is tied up in receivables?

The costs of long-time credit fall upon your customers. The losses of working capital, interest, credit losses of greater amounts through longer terms are passed on to your customers, since prices must be high enough to carry such losses. How can you retain friendship by passing on to your customers a greater loss due to this cause?

Let me briefly outline our policy of holding credit terms as short as possible, which policy has made for us hosts of friends:

When we secure a new customer, we assume she desires to pay weekly. Our salesman outlines our service and arranges for delivery, and advises on what day of the week our collector will call for payment.

If terms, longer than seven days, are desired, such requests are usually made known then. Our salesman has authority to extend up to fourteen days' credit. If these terms are unsatisfactory, he states his lack of authority to grant her longer terms, but offers to refer her request to the local branch's credit supervisor.

An investigation is made (on longer terms than two weeks) and a personal call or letter is sent, advising what terms were granted. We do not, however, grant longer terms than monthly accounts. Our finally agreed upon terms are then explained and a date for collection agreed upon, or if she desires to mail remittances—a date for remittance.

Our judgment is not always right and extensions are sometimes made beyond the qualifications, but our short-time account policy must be right, in the light of experience with my firm during boom times and depression, and from the experience of others in the same line, gleaned from available information and statistics.

We have been able to build up a business where our good will is one of our greatest assets and our credit losses are as low as any and lower than most. This record, despite the obvious hazard and risk involved in the promiscuous granting of credit under two weeks and without losing our share of new business.

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The Merchant's Dream

Last evening I was talking
With a merchant aged and gray,
When he told me of a dream he had,
Upon a wintry day.

While snoozing in his office
This vision came to view,
For he saw an angel enter,
Dressed in garment white and new.

Said the angel, "I'm from heaven;
The Lord just sent me down
To bring you up to glory
And put on your golden crown.

"You've been a friend to every one,
And worked hard, night and day;
You've supported many thousands
And from few received your pay.

"So we want you up in glory,
For you have labored hard,
And the good Lord is preparing
Your eternal, just reward."

Then the angel and the merchant
Started up toward glory's gate,
But when passing close to Hades
The angel murmured "Wait—

"I've a place I wish to show you;
It's the hottest place in Hades
Where the ones who never paid you
In torment forever dwell."

And behold! the merchant saw there
His old patrons by the score,
And grabbing up a chair and fan,
He wished for nothing more.

He desired to sit and watch them
As they'd sizzle, singe and burn;
And his eyes would rest on debtors
Whichever way they'd turn.

Said the angel, "Come on, merchant,
There are pearly gates to see."
But the merchant only muttered,
"This is Heaven enough for me."

—Clipped by H. O. WRENN.
Credit Manager, Nebraska
Clothing Co., Omaha, Neb.

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